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T/S 141173

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25 November 1958

MEMORANDUM FOR THE RECORD

SUBJECT: The Director's Meeting with the Director, Bureau of the Budget - Fiscal Year 1960 Budget Estimate.

1. At 10:30 a.m. on 24 November 1958 the Director and I met with Messrs. Stans and Macy, Director and Chief, International Division, respectively, Bureau of the Budget, to discuss our Fiscal Year 1960 budget request. Mr. Roger Jones, Mr. Stans' Deputy, was present for the first few minutes of the meeting.

2. The Director started the discussion by presenting a brief summary of the increasing problems facing the Agency around the world and said that while he felt that our budget submission was realistic he did not see how he could possibly carry out his responsibilities with an amount less than that at which our total obligations were estimated for Fiscal Year 1959. He pointed out the importance of [REDACTED] projects, stating that there was a good possibility that we would have to spend a great deal more on them in subsequent years, and emphasized the necessity for good intelligence inasmuch as if, according to present estimates, we did not get at least fifteen minutes early warning in the event of a hostile attack on the United States the result would be catastrophic. At this juncture Mr. Macy said that he had some question about continuing expenditures for Project AQUATONE inasmuch as he understood that the Air Force was quite far along in the development of a plane which would fly [REDACTED]. The Director commented that he thought the Air Force was quite far away from its objective in this endeavor, whereupon Mr. Macy said that while he fully appreciated the importance of Project AQUATONE it had always been his belief that there should be a point in time when the Air Force should take over this Project and he wondered if we were not fast approaching this period. The Director said that he believed it would be necessary for us to carry on covert reconnaissance in this field for some time to come. He also indicated that Mr. [REDACTED] and Mr. Macy voiced the opinion that he thought there might possibly be some duplication of effort here also.

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3. Mr. Stans entered the conversation by saying that he certainly could not disagree with the Director concerning the magnitude of the job facing the Agency or its importance but that it was a fact that he could not incorporate in the President's budget the amount of money which we had requested and still keep the Administration's budget within the amount which the President had fixed; therefore, he hoped that he and the Director could agree on some figure substantially below that which we had requested and make a

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joint recommendation to the President. He stated that we, like most other agencies, had continued to expand our operating base each year and that quite frankly he questioned whether this was necessary. Illustrating his point he added that when he had taken a very hard look at all of the things which the Post Office Department and the Bureau of the Budget were doing he had found some which could be eliminated and did not see any evidence of this kind of thinking in our Agency. The Director countered by saying that we were constantly reviewing all of our projects and programs and that we eliminated a very substantial number every year. He then added that by deferring the installation of minicard equipment, some research and development work, and other things we could probably get by on about [REDACTED] but that he felt very strongly that we should eventually have minicard equipment and other machines; furthermore, he believed that these machines would ultimately save the Government many millions of dollars.

4. Mr. Stans then attacked our personnel strength, saying that he failed to understand why we had increased rather than decreased following the Korean emergency. The Director explained that we were a new Agency and that while it was true that we had expanded very rapidly during the Korean situation it was his firm belief that our growth would have been the same eventually but on a more gradual basis. He assured Mr. Stans that it was his desire to cut down our personnel strength at headquarters and that he was going to do everything possible to insure that this was done; in fact, he was very emphatic that he intended to do this immediately to determine whether he couldn't reduce substantially. He also indicated that he thought we might be able to cut down our strength in some of the larger [REDACTED] and specifically mentioned [REDACTED] Mr. Macy agreed that he thought some reductions could be made in these areas but stated that generally speaking he did not feel that we had excessive numbers of personnel at our [REDACTED]

5. There followed a discussion as to why our regular operating budget couldn't be less inasmuch as our record indicated that we had always recovered several millions of dollars from unobligated balances of prior year funds. Mr. Macy took the position that this signified that we had exaggerated the cost of our regular operations. We attempted to explain to Mr. Stans that as we understood it it was contrary to law to obligate more than the total amount authorized by the Congress and that the net effect of Mr. Macy's suggestion would amount to a reduction of our program. However, we pointed out that we would still recover some money from unobligated balances, so, in effect, would be taking this reduction twice; in any case, whatever savings occurred in this area accrued to our Reserve and did not enable us to increase our regular operating budget in subsequent years. We also explained that releases from the Reserve after this figure was fixed--usually around the 1st of December--almost always exceeded the amount recovered. Mr. Stans seemed to understand this and I believe accepted our position.

6. While there was considerable discussion of various financial figures, Mr. Stans finally summarized the Bureau's position as follows:

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a. As he understood it we were all agreed that our estimated obligations for Fiscal Year 1959 would be about [REDACTED] of which about [REDACTED] was for nonrecurring items, thus bringing this down to approximately [REDACTED]

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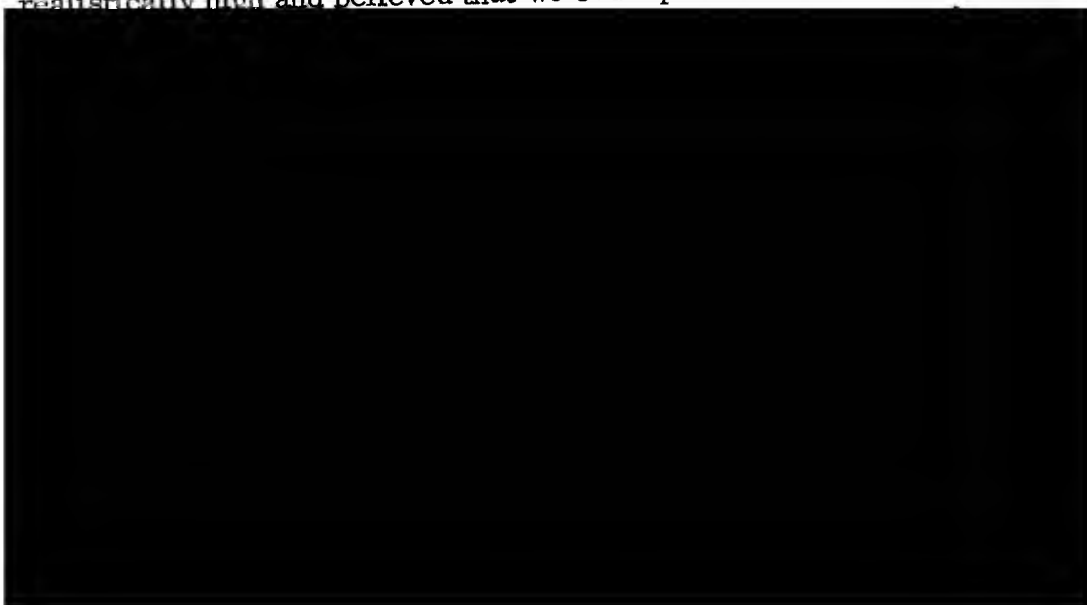
b. With regard to personnel, he felt that the Director should make some commitment to the President stronger than his "desire" to reduce. He suggested that we commit ourselves to a one per cent cut in Fiscal Year 1959 and an additional one per cent cut in Fiscal Year 1960 and that we go further than this in subsequent years if it were possible to do so. Based on this assumption we could deduct these personnel costs and get our regular operating budget down to [REDACTED]

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c. With regard to the Reserve, he considered our request to re-establish it at the [REDACTED] level to be exceptionally high. We reviewed our figures and noted that with the exception of 1952, [REDACTED] in 1955 was the maximum amount released by the Bureau during any fiscal year to date. We explained to Mr. Stans that it was entirely possible that projects in [REDACTED] area would cause us to withdraw an additional [REDACTED] during Fiscal Year 1959. We also pointed out that whatever figure was fixed now had to last us for approximately nineteen months and that a combination of these two factors caused us to believe that we should have the [REDACTED] level in order to have adequate insurance. Mr. Stans indicated that he still felt that this was unrealistically high and believed that we could provide for the contingencies

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He indicated that he thought something along these lines must be worked out in order to comply with the President's instructions and that he earnestly hoped that he and the Director could agree on making such a joint recommendation to the President.

7. Mr. Dulles stated that when he went before the Appropriations Committees in the Congress he was always asked whether he thought he had enough money to carry on his work and that in prior years he had always been able to give an affirmative answer. He explained to Mr. Stans that if he were required to adjust his budget request along these lines it would be impossible for him to give an affirmative answer if that question were asked of him again this year. Mr. Stans indicated that he understood this. The Director then asked him if he proposed to talk to the President about this matter, whereupon Mr. Stans replied that he was going down to Georgia on Friday, the 28th, to see the President but hoped that it would not be necessary to discuss the CIA Budget.

8. While the Director made no commitments as to what we could or would accept he advised Mr. Stans that we would study the matter further and be in touch with Mr. Macy to see if we could come to some agreement.

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L. K. White
Deputy Director
(Support)

DD/S:LKW:laq

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